

Fairtrade Foundation briefing on Westminster Hall Debate: Trade deals and fair trade

11th March, 9.30am-11.00am

This briefing has been prepared for MPs ahead of the Westminster Hall debate on 'Trade deals and fair trade' taking place on 11th March.

As the UK begins to negotiate Free Trade Agreements (FTAs) outside of the EU, the Fairtrade Foundation is continuing to make the case for **trade policy that works for developing countries**, and for producers and workers, in line with the Sustainable Development Goals (SDG's).

Key messages

- The Fairtrade Foundation would like to see the Government delivering the **'gold standard' in 'trade for development policy'**, with an **overarching trade strategy that works in support of the SDGs, business and human rights and climate change commitments**;
- The Fairtrade Foundation is asking the Government to **guarantee existing market access for developing countries** in post-Brexit negotiations, and to undertake **thorough and timely assessments on the impact of proposed changes, through a development lens**.
- The Fairtrade Foundation is calling for the Government to carefully consider the impact of changes to **the UK's global tariff schedule**. We are asking the Government to **prioritise securing continuity arrangements** before January 2021, and for the Government to **carefully consider the risk of preference erosion from any change in tariffs to developing country farmers and workers**.
- The Fairtrade Foundation would like to see a **stronger offer on transparent and inclusive trade policy**, which improves democratic scrutiny, and which at a minimum is in line with provisions available to negotiating partners.

About the Fairtrade Foundation

- The Fairtrade Foundation was established in 1992 with a vision to make trade fair and secure a better deal for farmers and workers.
- Fairtrade in the UK is part of a global Fairtrade system which aims to end the widespread exploitation in supply chains, and which now supports **1.66 million Fairtrade workers in 73 countries** around the world.
- The UK is the global leader in Fairtrade, providing the biggest consumer market for Fairtrade-certified products. Fairtrade continues to be highly trusted by the UK consumer – 83% of the public say that they trust the Fairtrade mark and 77% have actively chosen Fairtrade products over an alternative.
- Fairtrade works by providing **independent audits**, paying a **'social premium'** to farmers and workers, and for some products, **guaranteeing a 'minimum price'**, which provides a safety net for farmers in the face of volatile markets.
- **Fairtrade is not just a system, but rather a campaign for change**. Fairtrade's success is underpinned by a wider movement of Fairtrade supporters, local groups, schools, universities, local authorities and faith communities. Across the UK there are now **1120 Fairtrade schools, over 650 Fairtrade towns** (or local authority areas), and numerous Fairtrade supporting faith communities and local groups.

Trade deals and fair trade – Our recommendations

- The Fairtrade Foundation would like to see the Government delivering the **‘gold standard’ in ‘trade for development’ policy** with an **overarching trade strategy that works in support of the SDG’s, business and human rights and climate change commitments**:
 - As the UK negotiates independent trade policy post-Brexit, the Fairtrade Foundation would like to see the Government undertake policies which **maximize development impact throughout all areas of trade policy**. For example, the consideration of policies which could **help developing countries move up the value chain** to the next stage of the production process (and thereby improved value capture and income for farming communities).
 - The Fairtrade Foundation welcomes the inclusion of environmental and labour chapters in trade deals, but reiterates the need for these to be *enforceable* if they are to be effective. We are moreover calling on the Government to **consider the overall impact of trade agreements on different sectors, and the extent to which they incentivize/disincentivise sustainable behavior and improve human rights**.
 - The Fairtrade Foundation would like to see the Government make the **attainment of living incomes central to its trade and economic development policy** to deliver on its commitments to reduce poverty and tackle the climate crisis. Smallholder farmers live on the front line of the climate crisis, and are already hit by increasing droughts, floods and unpredictable, changing weather. Without living incomes, producers and farmers cannot invest in adapting to the impact of climate change.
- The Fairtrade Foundation is asking the Government to prioritise **guaranteeing existing market access for developing countries** in post-Brexit negotiations, and to undertake **thorough and timely assessments on the impact of proposed changes, through a development lens**.
 - The Fairtrade Foundation would like to see the Government thoroughly considering **whether or not a trade deal will support a country’s development and protect national policy space**. Impact assessments should apply to the countries directly involved in any potential deal, and also to countries that may be affected indirectly by a bilateral deal, often as a result of preference erosion. For example, lowering or eliminating tariffs on Brazilian sugar could impact on other African, Caribbean and Pacific (ACP) country exporters.
 - These impact assessments should deal with a range of perspectives and **consider gender, inequalities, labour rights and environmental consequences, should be produced in a timely way, commissioned independently, and before a negotiating mandate is established**.
- The Fairtrade Foundation is calling for the Government to carefully consider the impact of changes to **the UK’s global tariff schedule, which could potentially lead to significant implications for poverty reduction through trade**.
 - The Government is currently reviewing proposals for the UK-only MFN tariff schedule¹, the taxes which will be levied on goods imported from third countries after the transition period

¹ The public consultation closed on 5th March, but the Fairtrade Foundation hopes there will be opportunities to debate the tariff schedule further. Please contact alice.lucas@fairtrade.org.uk for more information.

ending in January 2021, which has the potential to **significantly affect the market access of developing countries, and affect Fairtrade products such as bananas, cocoa, flower and sugar:**

- There are over 25,000 farmers and workers producing Fairtrade **bananas**. In 2017, global Fairtrade banana sales generated €31.3m in Fairtrade Premium for investment in communities.
 - In 2017, Fairtrade worked with over 260,000 **cocoa** farmers, delivering €38 million in Fairtrade premium.
 - Fairtrade currently works with over 57,800 workers in Fairtrade certified **flower** farms. In 2017, sales of Fairtrade flowers generated €6.8 million in premium.
 - In 2017, there were 54,960 farmers producing **sugar cane** on Fairtrade certified farms. In the same year, sales of Fairtrade cane sugar generated €11.9 million in premium for Fairtrade farmers.
- The Government has committed to 'roll-over' the preferences currently granted to developing and low income countries by the EU. The Fairtrade Foundation is concerned that **several countries which currently enjoy preferential access via the EU have not yet agreed roll-over deals / continuity arrangements with the UK, including Ghana, Cote D'Ivoire, Kenya and Cameroon** (significant for Fairtrade sourcing including bananas, cocoa and cut flowers). This sourcing (and indeed other non-Fairtrade sourcing) supports hundreds of thousands of livelihoods.
 - The Fairtrade Foundation was particularly **concerned by the suggestion included in the public consultation that products that can't be produced in the UK could be placed on a zero tariff rate**. New UK-only MFN tariffs are especially important in calculating any advantage that a developing country might glean from preferential rates, and therefore of particular concern to the Fairtrade Foundation. **If tariffs are liberalised for all countries on a product where poorer countries might currently (or in the future) have a competitive advantage, then preference erosion can occur, with a high risk of damaging exports for developing countries.**
 - The Fairtrade Foundation would urge the Government to **carefully consider the risk of preference erosion in any change to the tariff schedules, and to conduct in-depth sustainable development focused impact assessments to inform the current consultation.**
 - The Fairtrade Foundation would like to see a **stronger offer on transparent and inclusive trade policy**, which improves democratic scrutiny, which at a minimum is in line with provisions available to negotiating partners:
 - The Fairtrade Foundation is continuing to call for for a **revised parliamentary process for the agreement of new trade deals** which gives parliament the opportunity to scrutinise throughout the parliamentary process. Currently, MPs have no official mandate process, no clarity on transparency in negotiations and no votes.
 - **The offer for UK MPs is currently less than those afforded to EU MEPs and the US Senate**, both of whom have a process for democratic scrutiny of trade deals. The Fairtrade Foundation is calling for the Government to urgently set out a process for democratic scrutiny of any new trade deals, using the EU process as a baseline.

For more information please contact Alice Lucas at alice.lucas@fairtrade.org.uk